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Preliminary competition ideas

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Preliminary Competition Ideas

November 1, 1995

Department of Commerce

1. Montana Lottery:

SB408 exempted the lottery from certain state contracting and purchasing statutes. Several states, including Georgia, Louisiana and Kentucky have recognized lotteries as unique activities and designated them as public corporations to achieve increased profitability. Additionally, Texas, Nebraska and New Mexico have outsourced significant portions of their lotteries' operational duties to private sector businesses in an effort to increase profitability.

Recommendation - Further study into the feasibility of additional privatization of the Montana Lottery via the creation of a public corporation or the outsourcing of operational duties to the private sector. Another possibility for competition would be to bid out the lottery to an adjacent state such as Idaho.

2. Tourism Customer Fulfillment:

The Travel Promotion and Development Division currently is transferring customer service and telemarketing services from the state prison to the private sector. The state prison has not been that satisfactory because names and addresses have been entered into the database incorrectly resulting in the travel information being sent out incorrectly. Also, with a contract for customer service, the request may be able to be narrowed and specific questions answered at the time of contact.

Recommendation - Look carefully at the cost versus the increase in tourism dollars.

3. One-Stop Business Registration and Licensing:

SB311 established the Board of Review (meeting monthly) to analyze and recommend a one-stop business registration and licensing plan (all the licenses needed to open a business) to the 55th Legislature. The State of Washington has utilized the private sector for a portion of clerical and renewal business registration activities. A representative from the State of Washington has visited with the deputy director of Commerce regarding their system.

Recommendation - Look at the feasibility of contracting out the clerical portion of the work.

4. Allow private portfolio managers to compete for a portion of the state's investment business:

Many mutual funds have long-term outstanding performance exceeding the Board of Investments.

Recommendation - It is recommended the BOI staff research the issue and prepare a report for the board's consideration.

5. **Bid out the weights and measures scale inspection duties to private companies:**
It is reported that some states may have achieved savings through private certification and repair firms accomplishing annual inspection certifications of scales in grocery stores and other places of business. Additional one-time revenue would be realized from the sale of pickup and scale trucks currently used by the state.

Recommendations - It is recommended further study be given to bidding out inspections duties.

Department of Fish, Wildlife and Parks

1. **Evaluate automated licensing system:**
The legislature authorized funds to evaluate the feasibility of automating the existing manual process. Two advisory councils have been appointed and have made preliminary recommendations on system design. The system under consideration would completely revamp the process of selling licenses. Agents would have a computer terminal connected to a central computer in Helena. Each sale would immediately interact with a central database.

Recommendation - Further analysis of business requirements of FWP and agents to determine if an automated system is feasible from both a practical and technical sense.

2. **Study contracting out fish health analysis and diagnostic work:**
Possibly contract out additional fish health analysis and diagnostic work instead of building a state laboratory. Initial capital investment and management requirements would be reduced.

Recommendation - Put the Fish Health Lab Appropriation on hold until a cooperative agreement can be negotiated and cost savings and potential benefits be further studied.

3. **Provide 1-900 or 1-800 for information services:**
Contract a 1-900 or 1-800 service to provide information on license drawings and other information services. Advancing technology may help FWP better serve the public by using telephone systems that combine routing of calls with voice messaging. Interactive Voice Response technology allows customers to have direct access to computer data bases. Options to finance such services include 1-900 numbers where the caller pays a fee.

Recommendation - Policy decisions need to be made as to what type of information should be included on voice menus, should nonresidents who request information be charged by implementation of a 1-900 service and would use of the services eliminate the need to ask for more FTE.

4. **Contract out response to nuisance wildlife calls:**

Contract with the private sector to handle nuisance wildlife calls, trapping, relocations, carcass disposal, game damage etc. for game and non-game animals, wherever feasible. The program's efficiency benefits would be most noticeable with the increased amount of time wardens have to spend doing law enforcement priority tasks.

Recommendation - Survey regions to ascertain whether or not there may be bidders on contracts to handle nuisance wildlife, possible training requirements of potential bidders and an estimate of projected needs of the program in each region.

5. **Contract out monitoring and studies:**

Contract out monitoring of habitat improvement projects, conservation easements and baseline study and monitoring of conservation easement terms.

Recommendation - Develop a quality control criteria for baseline inventories and monitoring done by contractors and determine the consultant's charge to do the work.

6. **Establish competitiveness for maintenance of fishing access sites (FAS) and parks:**

Develop competitiveness projects to evaluate existing contract maintenance of selected FAS and state parks. FWP would request bids to do the routine daily maintenance of a series of FAS along the upper Madison River from Ennis Lake to West Yellowstone. If the lowest bid received would provide equal or greater service to the public at a price equal to or less than the current cost of FWP, then the bid would be awarded to the private vendor. If the cost to the public was greater or the service would be less, then FWP would continue to provide the service. Allow FWP crews to bid on the capitol grounds maintenance. Cost savings would be the difference between the prevailing wage rate of \$9.11 per hour for a contractor and \$7.24 per hour for a state employee.

Recommendation - Continue to analyze the potential of competitive bids for FAS and grounds maintenance.

7. **Study competition in fish hatcheries:**

Evaluate how to meet potential increased demand for hatchery fish production to be used in lakes and reservoirs and a response plan for potential outbreak of whirling disease in a state fish hatchery.

Recommendation - Contract with an independent firm to conduct a study of the state owned fish hatcheries to determine if a private firm can provide a greater level of service than FWP owned hatcheries.

8. **Save money by using more volunteers:**

Evaluate expansion of the existing volunteer program.

Recommendation - Determine how many additional FTE it would take to implement and coordinate the project to conclude if the benefits of using volunteers would be beneficial.



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Preliminary Competition Ideas

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Department of Livestock

The Department of Livestock is an agency that is supported by about 93 percent user and/or producer fees. The largest issue for the agency is the portability of the current state retirement system. If this issue could be resolved, then many of the agency's functions such as brands enforcement, responsibilities of the diagnostic laboratory division in Bozeman, and veterinary services might be bid competitively. Local law enforcement could be approached to see if it might be interested in providing some of the services. The two services which are least likely to be conducive to bid are meat/poultry inspection and milk control.

Department of Natural Resources and Conservation

1. State-owned Projects:

Privatization efforts on state-owned projects, with first priority given to canal projects and second priority given to storage projects (dams and reservoirs), might be continued. Possible legislative options could: a) provide an incentive to water users to seek privatization on their own by providing a one-time payment equal to the average annual or biennial departmental cost associated with administration of a particular project; b) provide for full-cost reimbursement of state services, now given as either direct or indirect subsidy to the water users, for those projects where water users do not assume ownership.

2. Broadwater Power Project:

The Broadwater Power Project could be a candidate for privatization. If an offer were forthcoming, FERC approval on a license transfer could easily require several years to obtain. Any reasonable offer to privatize the Broadwater Project that offers benefits to the state commensurate with state ownership and operation should receive careful consideration and evaluation. When this idea was explored in the 1993 session, it would have resulted in a decrease in state revenue for maintenance of water development projects.

3. Timber Cruising:

In the Forestry Division, timber cruising could be a candidate for competition because there are private consultants and timber companies that provide these same services. This function already has been contracted out where feasible and implementation may be expanded.

4. State Nursery:

Currently the department operates a nursery near Missoula, which provides trees for various state agencies, for farmers and ranchers establishing and expanding wind breaks in agricultural areas, for forestry reforestation projects following fires, and for specialized shelter belts required by the Department of Fish, Wildlife Parks at places like Freezeout Lake. Trees are sold at a lower price than the private market because of the public policy determination that the state requires low-cost trees for these purposes. Colorado sold its nursery about 12 years ago and has been trying to get back in the business in recent years, because of a shortage of low-cost trees for shelter belts and reforestation, but has been unable to capitalize a facility during the economic downturn. What options should be explored in this area?

Department of Agriculture

1. Alfalfa Leaf Cutting Bee:

This program is supported by user fees with an annual operating budget of approximately \$6,300. It is hoped that, with life-time certification of bee keepers in Montana, any needed review could be done privately. The department and the industry officials are meeting in November to see if the industry will support the privatization concept.

2. State Grain Laboratories:

The state grain laboratories are supported by 100 percent user fees. The operating budgets are approximately \$975,000 each year of the 1997 biennium. There are private companies that provide similar services in Montana. The state grain laboratories could meet industry needs outside the jurisdiction of the state, legislature or the department.

3. State Hail Insurance Program:

The hail program is self supporting through an expendable trust and reserve of approximately \$5 million established through premiums paid by participating producers. The state general fund receives 1.5 percent of the total annual premiums written [approximately \$50,000], while the counties receive an additional 2.0 percent [approximately \$65,000]. The program also contributes nearly \$25,000 per year toward expenses of the department.

The state Hail Insurance Program and Board of Hail Insurance provide hail insurance on any crop grown by Montana farmers. Over 2,000 farmers utilized the state program during the 1995 crop season. The program is administered for Montana farmers at their request. A perennial legislative issue has been whether or not private insurance would, could or should deliver the same services at the same cost. When this matter was deliberated during the 1991 session, it was concluded the state serves agricultural producers more efficiently and that many individual farmers would not be served at all by the private sector.

Department of Environmental Quality

1. Air Quality Division:

The Air Quality Division with its two bureaus, air quality and occupational/radiological health, is funded with general fund, state special and federal revenue. Approximately 9.2 percent of the \$3.6 million annual division budget is supported with general fund. Many of the air quality functions are done via contracts with local governments and private providers. Additional monitoring of equipment and analysis of data might be considered for competition.

2. Training for local providers and operators:

Several divisions in DEQ provide training and certification of operators and systems. Examples are 1) public water supply, 2) sanitation in subdivisions and 3) waste water operator certification. The plan is to combine these training programs into one function to improve services for local providers and operators. Then some aspects of the function could be contracted or bid competitively.

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Department of Public Health and Human Services

1. **Child Support Enforcement Division (Customer Service):**
The Child Support Enforcement Division (CSED) of the PHHS recently implemented a contract with MAXIMUS corporation to privatize telephone answering and customer service functions within CSED.
2. **Child Support Enforcement Division (Review of Montana Child Support Guidelines):**
CSED also has contracted with the University of Montana, via the umbrella contract between the university and the department, to perform a comprehensive review of Montana Child Support Guidelines. The university is doing the demographic, economic, legal and literature research necessary to provide the division with information on how Montana's guidelines compare to other states, and how the guidelines operate within Montana. The goal is to determine what changes, if any, need to be made to the guidelines to ensure consistent and reasonable establishment and application of child support orders in Montana.
3. **Child Support Enforcement Division (Review and Modification of Support Orders):**
The next major goal of the division is to contract out the review and modification of child support orders. The federal government requires that all AFDC-related cases be reviewed every 36 months. In addition, the division is inundated with requests from parties who receive CSED services outside of the AFDC caseload, for review and modification of orders. Current staff are not able to keep up with the workload. The division proposes to contract a portion of its workload, and also retain a similar caseload for its internal unit to work. The goal is to see which method is the most timely and cost-effective: private contracting vs. CSED workers.
4. **Child Support Enforcement Division (Absent Parent Search and Locate):**
In an effort to further minimize the cost of providing child support enforcement services while maximizing the benefits to the clients, the division proposes to privatize the search and locate functions. These functions look for parents who owe child support, collect any child support arrearages, and work to re-establish continuing support from these parents for their dependents. In a recent survey by the department, to which twenty-five states responded, nine states indicated that they had privatized the physical locate function for absent parents.
5. **Child Support Enforcement Division (Alternative Pay Scales):**
In areas of state government where state workers are competing against private sector workers to perform a specific function, the division would like to see flexibility to develop alternate pay schedules and classifications in lieu of the state employee

classification system. In particular, the division believes that the function which reviews and modifies support orders would be a good experimental program for a merit or bonus pay system, which would be based on performance, much as the private sector rewards workers.

6. Operations and Technology Division (TEAMS/MACCS and SEARCHS Support and Processing):

The department currently processes its major computer systems, TEAMS/MACCS (The Economic Assistance Management System/Montana Automated Child Care System) on the state mainframe computer. The department believes it would be possible to save approximately 17% of the cost of processing by contracting with a private vendor for the operation and maintenance of these systems, and perhaps other department systems such as the Child and Adult Protective Services (CAPS) system. The Department of Administration, however, concludes the proposal would actually cost an additional \$3 million over the biennium. These broader questions of paying for the statewide network, much of which was installed specifically for PHHS data processing needs, strategic planning costs, and equitable technology for all state agencies are being addressed in the ITAC study report due in December and in the SJR 23 study committee. For PHHS to move forward, the department would need to be allowed to request proposals from non-ISD vendors. The OBPP has recommended this be addressed again in EPP next spring.

7. Alcohol and Drug Abuse Program (Current privatization/competition efforts; MT Chemical Dependency Treatment Center Inpatient Program):

Current privatization and contracting efforts by the program include: 1) Requesting one program evaluator position be eliminated and partial evaluation services be contracted; 2) Contracting for coordinating aftercare services for individuals returning to community-based outpatient treatment programs after completing inpatient treatment at the Montana Chemical Dependency Center in Butte; 3) Contracting for certain medical services such as on-call physician services (this has only been partially successful due to lack of physician interest in the Butte area).

Another potential area for competition or privatization is the inpatient program at the Montana Chemical Dependency Center. There are currently 46.85 FTE employed at the MCDC. During the 1991 Legislative Session, the department discussed the option of contracting out these services. However, no private providers were interested in running the program, at the daily state rate of \$80-90 per day. We may want to revisit this proposal and explore whether the subsequent changes in the provider community may render this proposal more attractive than it was four years ago. (For example, private insurance payments have dropped off for chemical dependency treatment, so the providers may have some interest in picking up additional programs.) The key will be to determine if we can maintain the necessary beds, and pay a reasonable rate for the services.

8. Mental Health Program (Mental Health Managed Care):

This effort is currently underway. During the last legislative session, the department received approval to pursue developing and implementing a managed mental health care

system in the state. If approval for a waiver is ultimately granted by the federal government, the state will contract with a private corporation to provide managed care services to a defined population who are eligible for Medicaid reimbursable mental health services only. Two state funded institutions will be included in this system, and will be operated by the state, but under different guidelines than in the past.

9. Mental Health Program (Montana State Hospital (MSH) Laboratory):

The program has already determined that it will close the MSH laboratory and contract for the services. MRL Labs is the successful bidder and will probably provide services for MSH, Montana State Prison (MSP), and the Montana Chemical Dependency Center (MCDC).

10. Mental Health Program (Montana State Hospital Employee Housing):

The state currently has 48 housing units on the hospital campus which are rented to MSH employees. The department proposes to separate the administration and maintenance of these units from the rest of the MSH operation, and contract with a private managing entity. This would get the state out of the landlord business on the campus, alleviate the attendant difficulties with being both landlord and employer, and ensure that the housing is being totally supported by the rent it generates.

11. Public Health and Chemistry Laboratories:

The Public Health and Chemistry laboratories are funded with fees charged for laboratory services. Included in the laboratories budget is the dyed fuel program that is contracted for through the Department of Transportation. It may be that some of the particular functions could be contracted out, some could be bid competitively, some may be determined to be public health functions best reserved to the state.

12. Developmental Disabilities Division (Case Management):

The DD division staff believe that case management services are a good candidate for allowing state employees to compete against private vendors in delivering the services. The current system has both private entities and state employees providing case management services, and this may be an opportunity to begin measuring the effects of a competitive system already in place.

13. Developmental Disabilities Division (Reimbursement):

Currently the DD division contracts with a private vendor to bill Medicaid for reimbursable targeted case management services. The division suggests that the department's institutions consider contracting with a private entity in lieu of using state employees to do this work, as is the current practice.

14. Health Facilities Division Licensure Bureau (Residential Facility Inspection Contracting):

In FY96 and FY97, the bureau is proposing to contract residential facility inspection to county health departments. The regulatory enforcement functions will remain the responsibility of the Licensure Bureau.

- 15. Health Facilities Division Certification Bureau (Survey and Certification under Section 1864 Agreement with Federal Government):**
The secretary of the federal department of Health and Human Services (HHS) is authorized under section 1864 of the Social Security Act to enter into agreements with states to perform surveys, certification and enforcement activities for certified Medicare and Medicaid health care facilities. The funding is federal and is contained in funding for the Social Security Act. The state can choose not to enter into an agreement with HHS, and the federal agency may be forced to turn to contracts directly with private entities to perform these duties. There is probably no way to ensure that the federal agency would contract with Montana entities, however.
- 16. Family/Maternal Child Health Bureau (Administrative Contracting):**
The bureau suggested several specific administrative areas which might be considered for external contracting. They were mail services (except internal bureau handling of incoming mail), travel arrangements for in-state and out-of-state travel, conference services, and manual preparation (specifically nursing procedure/standards manuals).
- 17. Family/Maternal Child Health Bureau, Child and Adult Care Program (Administrative Reviews of Providers):**
The department receives funding from the federal Department of Agriculture to provide meals and nutritional education services in child and adult care settings. The bureau suggests that administrative reviews of the child and adult care providers participating in the program could be performed by private entities, resulting in reduced travel costs and more timely completion of the reviews.
- 18. Family/Maternal Child Health Bureau, Women, Infants, and Children (WIC) Program (Administrative Contracting):**
This program is 100% federally funded by the Department of Agriculture and helps low-income women (pregnant, breastfeeding and those who recently had a baby) and infants and children (up to age five) who are at health risk to receive supplemental foods, nutrition information and assistance, and access to health care programs. The bureau suggests that some of the administrative duties associated with administering the WIC program may be candidates for privatization. Examples include computer maintenance, newsletter preparation and production, conference planning, on-site monitoring visits, data analysis and special projects. The bureau is currently a participant in a multi-state Request for Proposal (RFP) for retailer compliance buys.
- 19. Vital Records and Health Statistics Bureau (Multiple Cause of Death Coding):**
The Vital Records and Statistics bureau tracks information related to births, deaths, adoptions, marriages and divorces in the state. Some of the information related to death records requires coding for multiple causes of death. This currently is contracted out to a firm in Colorado, which has trained nosologists on staff to perform this service. The state would expend significantly more to recruit and retain personnel for these specialized services, if this contract were not in place. The funding source is federal funds.

20. **Preventive Health Bureau (Currently Privatized/Contracted Program Activities):**
Within the Preventive Health Bureau, a significant portion of the program activities and service delivery is already contracted out. This includes the Tobacco Free Montana program (95 % privatized through a contract with the Montana Lung Association), breast and cervical cancer screening and testing, diabetes control (contracts with MSU Billings and UM Missoula to perform needs assessments and data analysis), services for individuals with sexually transmitted diseases (including those with HIV; the state Public Health Laboratory provides the laboratory services for testing), and the storage and distribution of vaccine for the Immunization program.
21. **Mental Health Division (Center for the Aged):**
There is some possibility that there may be interest in privatizing the Center for the Aged in Lewistown.
22. **Special Services Division (Montana Veterans' Home):**
There may be some possibility of privatizing the Montana Veterans' Home in Columbia Falls.
23. **Medicaid Division:**
No proposals at this time.
24. **Family Assistance (Eligibility Determination):**
The division has not forwarded any proposals at this time.

The department currently has 389.90 FTE who determine initial and on-going eligibility of recipients for welfare programs, both in the state-assumed and non-assumed counties. Eligibility determination may be a candidate for contracting services out to another entity such as the Human Resource Development Councils (HRDCs) around the state, or for a competitive proposal between state and private workers providing these same services. With the advent of federal block grants, the state may have more flexibility to design and implement more regionalized programs and service delivery systems. Moving the eligibility determination into a private or competitive environment may be a necessary piece of the evolution of human services delivery in Montana.

Preliminary Competition Ideas

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Department of Corrections

1. Privatize FUTURE GROWTH of State Prisons:

Prison overcrowding, revenue shortfalls and court actions have forced a reexamination of the status quo in corrections. One currently-popular alternative to the status quo is increased privatization in corrections. Privatization is not a new phenomenon, nor does it have a spotless record, but appears, in many instances, to have provided high quality, specialized services to correctional populations. The proposed change in privatization is its extension into new areas now solely operated by the public sector -- management and ownership of correctional facilities.

Advocates of privatization argue that the private sector: 1) can move quickly; 2) has access to greater and more varied resources, financially and otherwise; 3) is superior to the public sector in personnel management and financial and business-related decisions; 4) delivers higher quality; and 5) is not bound by "bureaucratic red tape" and political gamesmanship.

On the other hand, Corrections Partners Inc. provided a preliminary pricing of a proposed correctional facility for Hill County, Montana, for 408 and 512 bed facilities. It appears the infrastructure is too expensive factoring in the cost-of-living increase. Moreover, national statistics now are showing that private prisons are not as cost effective as once thought and there appear to be about equal, balancing arguments against privatization by the opponents. The following questions should be considered and answered before privatization would be pursued as an option for managing future growth:

1. How will the public reconcile the demand for humane and adequate care, custody and treatment with private sector demands for profitability, should the two conflict?
2. Correctional institutions, as instruments of the state, are accessible and accountable to public scrutiny, review, assessment and control, through the courts and the appropriation process. No private sector operations are as accessible. Is it appropriate to delegate responsibility for public concerns to private organizations which are sheltered from public scrutiny, access and accountability?
3. Authority - do political jurisdictions have the statutory authority to delegate responsibility for incarceration to the private sector? To what degree?
4. Security - is it appropriate to delegate to private concerns the authority to provide security that includes discipline, restraint and possible force? Reportedly, there are no statutes prohibiting such delegation.

5. Liability - to date, although there has been no court test of liability of a contractor under section 1983 of the Civil Rights Act, the question remains as to whether the states will be able to shield contractors or the state itself from civil liability if the rights of prisoners are abridged.
6. Contractor accountability - the attendant risks of extended privatization may require enactment of statutes permitting more detailed monitoring and evaluation of private sector activities than now are permitted.
7. Labor relations - Some contractors say they will provide better benefits than state employees get and companies contend that an emergency preparedness agreement with the state will permit time for the National Guard to intervene. Even so, contracts would need to require that the private operator notify the state in advance of the end of a union contract period or of major work grievances.

Other issues include protection against private sector bankruptcies, resources available if a private sector provider defaults on contract provisions, arbitrary increases in service prices, guarantee of stability, and whether the private sector would be permitted to refuse certain types of inmates.

2. Corrections Medical and Dental Services:

The Montana State Prison (MSP) currently contracts for physician services and medical administration with Blue Cross/Blue Shield. The remaining state piece is the medical services provided in the infirmary. Powell County could possibly administer this as a branch clinic and all staff would be county employees.

Women's Correctional Center (WCC) medical and mental health services are under contract with the mental health center in Billings.

It appears that Pine Hills School (PHS) contracts for physician and other medical services with providers in Miles City, and has nurses on staff all three shifts.

Dental services currently are contracted with the private sector for MSP, WCC, and PHS.

3. Institutional Food Service:

There is a plan to combine a cook-chill system to be used at MSP which would also serve the Montana State Hospital. The WCC in Billings is utilizing one inmate and one staff person to provide meals at a cost of \$1.04 per meal. Pine Hills School is using staff to provide meals.

Tennessee is using a statewide cook-chill system to provide for all institutions. Montana's large geographical area is a factor, and a statewide system may not be feasible or cost effective. Montana, however, may want to explore whether the food service at MDC in Boulder could be combined with the cook-chill system at MSP.

4. **Transportation of Prisoners:**

In 1991 the Department of Justice in conjunction with the Department of Corrections planned for a shuttle system to provide cost-effective transportation of prisoners to the state prison in Deer Lodge, rather than the system of reimbursing counties for transportation costs. Such a system was developed and resulted in a general fund savings of \$50,000 per year in the transportation costs of prisoners.

5. **Privatization of Selected, Expanded Services at Pine Hills School:**

The current cost of a juvenile at PHS is \$127 per day. The comparative cost with Yellowstone Treatment Center in Billings without Medicaid treatment is unknown. However, the Yellowstone total costs are \$240 per day. The department is preparing to add sex offender and mental health treatment services at PHS and private providers might be considered as an option.

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Judiciary

1. **Uncollected fines and forfeitures:**

The state has made great strides in the collection of child support payments from delinquent parents, but needs to emphasize the collection of fines and forfeitures imposed by the court system. Courts in other states have set up their own collection offices to ensure that fines are paid. Suggest using private agencies to collect the uncollected fines and forfeitures for the district, justice of the peace, and city courts. Should have the same teeth as with the child support - attach lottery winnings, tax refunds, and payroll; notify the credit rating services; inform auto insurance company; and pull driver's license and/or professional license, as appropriate.

Board of Crime Control

1. No suggestions or recommendations.

Department of Justice

1. **Gambling Control:**

Conduct a tax audit comparison of gaming establishments by private CPA firms vs state staff by contracting out some of the audits. The January 1994 performance audit report by the Office of the Legislative Auditor on the regulation and monitoring of video gambling machines recommended an increase in staff of 23.0 FTE to provide the level of monitoring comparable to a non-automated system state - Nevada; or implementing an automated system similar to South Dakota's or Oregon's. The agency went with an EPP request of \$950,000 for the automated system. The 1995 Legislature denied the request so the agency is now looking at doing the private vs public auditing comparison, and if the private sector audit results look promising to move toward more private sector audits. Cost savings would be questionable. Could mean additional revenues for the state which could offset the additional costs of the audits.

2. **State Legal Services:**

Approximately 20% of the State Agency Legal Services Division work load is related to hearing examiner activities. The agency is proposing to contract out these activities, which in turn will free up staff time for the more expensive and high profile cases - tort claims. There could be some cost savings by switching the emphasis.

3. **LANS - Local Area Networks:**

Contract for statewide LANS support because ISD doesn't provide the service and the agency does not have the staff. Want to do test cases in Missoula and Billings. During the 1995 session Justice had an elected official new proposal for LANS support that included 2.5 FTE which was not supported by the Legislature. The agency now has about 20 LANS and approximately 300 work stations.

4. **Drivers' License:**

The department would prefer to delay discussion if this matter until the eight year license is fully implemented in 1999. Also mentioned for future consideration was the use of driver instructors for testing and issuance of licenses. The agency wants to wait and see, and to look into what other states are doing.

Department of Labor and Industry

The Department of Labor and Industry administrative staff (administrators, bureau chiefs, and some supervisors) is doing a thorough job of reviewing the department by division for all possible changes. They have not restricted themselves to just those activities that could be privatized or placed for competitive bid. Unfortunately, their timeline to complete the exercise is November 18th which was the date OBPP gave them back in July. They have stayed on their work schedule, but we have accelerated our schedule. Therefore, much of the information that follows is from brainstorming flip charts. Some followup has been done to clarify the flip chart notations.

Job Service Division

1. **Job Service:**

Privatize those activities performed by the Job Service that would not be prohibited by federal regulations and/or requirements. Primarily some of the local offices.

2. **Oversight/monitoring of Montana Job Training Partnership, Inc. (MJTP):**

The division is currently negotiating with the Office of Legislative Auditor to perform the oversight/monitoring of MJTP that is currently being conducted by division staff. Won't necessarily be a cost savings, but will remove any questions about an "independent" review of the operations.

3. **Montana Career Information System:**

This program has had a number of homes: it first came in under the State Occupational Information Coordinating Committee (SOICC), then under the university system, and then the private sector. It is supported by fees of which approximately \$20,000 to \$30,000 is paid to the University of Oregon. The program could go back out to the private sector if there is someone willing to operate it, back to the university system, or there is a chance the program could die. "There are other systems" according to Bob Rafferty.

Employment Relations Division

1. **Unemployment Insurance:**
Privatize those unemployment insurance activities that would not be prohibited by federal regulations and/or requirements.
2. **Safety:**
The Safety Bureau applies for and receives a federal grant to provide small mine safety training, with the safety curriculum being development by Montana Tech through a contract. Any entity can apply for the federal grant, so this function can be privatized. The curriculum development function could be moved to OPI.
3. **Workers' Comp Regulatory:**
Some tasks might be contracted out, for example:
 - Uninsured Employers' fund/Underinsured Employers'/Contractor Registration accounts receivable.
 - Managed Care Organization monitoring
medical regulation fee schedule
hospital rate schedule
 - Contractor registration verification and information source/maybe data entry
 - Utilization and treatment guidelines
4. **Labor Standards:**
Contract out Board of Personnel Appeals transcription, fact finding, and arbitration activities.
5. **Other Possible Changes within the Division:**
 - Eliminate settlement review of claims.
 - Eliminate Plan II security deposit.
 - Repeal UIEF - Underinsured Employers' Fund
 - Transfer plan approval to Guaranty Fund
 - Privatize bad debt collection
 - Transfer safety consultation program to universal system.
6. **Change List - General:**
 - Consolidate all labor related boards into one full time entity.
 - Administratively attach all related regulatory functions to above board.
 - Consolidate mine regulatory function to other mine functions under one regulator.
 - Incorporate industrial hygienist regulatory authority in DPHHS.
 - De-privatize janitorial - let agencies hire employees to meet their specific needs.
 - Privatize mail.

Department

1. **Paper reduction:**
Throughout the department there is mention of paper reduction due to automation, desk top publishing, and forms design.

Department of Military Affairs

1. **Air Guard firefighters - Great Falls Airport:** Privatize/contract the firefighters at the Great Falls Airport. The lawsuit regarding overtime has finally been resolved, so that would not be an issue.

Montana University System

Competition Ideas

Vouchers

The voucher system that was recommended from the university system was a voucher that would be usable only in the Montana University System (MUS). We have told the System that this would not be enough competition to provide economic pressure to keep the rates down.

MUS is still considering and looking into the possibility of a voucher that would be usable in the surrounding or the western states. This voucher would be offered by all of the states in the compact (like WICHE) and would be usable in all of the state schools (and privates?) in the compact.

The second plan will not be ready for this legislative session, but may be a viable option in future sessions.

Other forms of competition

The MUS is dividing into task forces which will address other ways to improve service, reduce costs and insert competition into the individual units of the MUS. The Commissioner of Higher Education is planning to have preliminary results of the task forces presented to the Board of Regents at the January meeting. Final results will be presented at the March meeting.

Please see the attached memo from Commissioner Baker to the Board for further details.

Statutory changes

Included in the review of competition is a consideration of statutory changes which would let the MUS be free of certain regulatory requirements. I have attached a sheet which reviews preliminary ideas of the MSU administrative services review task force. The Commissioner has compiled a list of all services provided by the state for the MUS which will be reviewed by the task forces. This list is on the second page of the attached memo.

**Montana State University
Administrative Services Review**

Preliminary Recommendations regarding state services

Property Management/Surplus Property

"No Department...may transfer, sell, trade-in, or otherwise dispose of supplies owned by the State without written authorization by the Department (of Administration)."

At a minimum the MSUASR recommends that delegated authority to dispose of surplus property be set at the same dollar value as the delegated authority to purchase, which is \$25,000 in the case of MSU-BO.

Ideally, the following would be a preferred system:

Surplus property would operate like and compete with other private auction and used merchandise companies and operate on the difference between what they can buy from state agencies and the price they sell it to the public. Agencies would have the responsibility to ensure the greatest value received from sale or trade in and they could do so by getting bids from Surplus property and other vendors for their surplus property.

There should be a state-wide bulletin board that can list property of significant value.

All agencies should be able to keep all revenue that they generate from the sale of surplus property.

If an agency desires to have Surplus property assist them in the recruitment of Federal Surplus property they may purchase the services of Surplus property. If Agencies get the property on their own and then they do not have to pay Surplus Property.

Legislative Audit services

Legislative Audit services, both financial and compliance, could be bid out to CPA firms.

Worker's Compensation Insurance

The State Fund could be one of the companies from which the State can purchase worker's compensation insurance. Agencies could also self insure and hire a claims manager.

Currently, MSU's Safety and Risk Management Program has established the following table:

<u>Year</u>	<u>Payroll</u>	<u>Claim Liability</u>	<u>Premium</u>
FY91	\$ 58,157,876	\$388,009	\$504,060
FY95	\$ 73,819,039	\$221,768	\$790,139

Claim liability includes all projected future costs from the claims filed in that year.

Between the years FY91 and FY95 MSU's worker's compensation insurance premium rates (a percentage of total payroll), rose by less than two tenths of one percent. In this same time period, other Montana employer's insured by the SCIF saw significant increases in the percentage of payroll rates charged.

MSU has made significant efforts to decrease the number of accidents on campus. As demonstrated above, they have been able to decrease the liability associated with work accidents, yet their total premium has increased nearly \$300,000. In FY95, their premium was approximately \$570,000 more than their liability.

Purchasing

State purchasing should compete with private vendors or give agencies the option to belong to the purchasing group, possibly by type of commodity.

This should benefit small agencies that do not have the ability to negotiate cheaper rates and still allow bigger agencies flexibility.

Should Purchasing have the ability to deny an agency the right to purchase certain items?

Purchasing rules need to be reviewed for consistency with current goals.

DRAFT

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TO: Board of Regents

FROM: Jeff Baker
Commissioner

SUBJECT: Benchmarking in the University System

DATE: October 10, 1995

Benchmarking is a business practice that has gained broad-based acceptance in the corporate world. The process literally takes apart an organization and analyzes every facet of operations. Managers then compare an organization's procedures with those of similar institutions. By pinpointing both weaknesses and strengths, businesses discover how to build greater efficiency into operations. The goal is to adopt the best practices by first taking a detailed and comprehensive look at ourselves.

All campuses of the Montana University System are using benchmarking; this fall, Missoula begins its fourth year. The campuses have examined everything from the cost and time to process a purchasing voucher to the number of job listings per graduating senior. Benchmarking is providing valuable insight into operations and has paved the way for the next step—a comprehensive look at the most efficient way to provide the array of services necessary to support all the postsecondary institutions that comprise the Montana University System.

The university system is reviewing every operational component to determine "best practice" alternatives. Each service is scrutinized on the basis of benefits, costs, and accountability, and the evaluation is proceeding by comparing alternative providers. Three questions will be addressed:

- (1) Can the service be provided most effectively and efficiently within the Montana University System—an in-house approach?
- (2) Can the service be provided most effectively and efficiently by contracting or out-sourcing?

- (3) If the answer to (2) is yes, is the best source for contracting or outsourcing the state agency responsible for the activity or the private sector?

If the answer is (2) or (3), an appropriate contract would be negotiated with the best provider.

A list of current services either wholly or partially provided by the state that would be reviewed using the criteria outlined above are:

- Architecture and engineering
- Treasury services
- All personnel services, including
 - classification and pay
 - payroll services
 - benefit plans
- Warrant writing
- Purchasing
- Publications and graphics
- Surplus property
- Casualty and liability insurance
- Tort defense
- Worker's Compensation Insurance
- Investment services/restrictions
- Financial audits
- Performance audits
- Information technology

Rod Sundsted, Associate Commissioner for Fiscal Affairs, will chair "Toward Greater Efficiency," the task force charged with the review and recommendations. The first level of investigation is already underway at Montana State University and The University of Montana, with all the university campuses engaged in the evaluation process. Reports are due by January 1, 1996, and preliminary findings will be shared with the Board of Regents during its January meeting. The second step of the process will be completed by March 1, 1996, and the system's recommendations from the task force will be on the Regents' March agenda. The timeline permits ample opportunity to coordinate with the executive and legislative branches and prepare appropriate legislation before the legislature convenes its next session in January 1997.

JDB:mb

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COMPETITIVE ENDEAVORS

Montana Historical Society

The Historical Society Museum may have the potential to be self supporting or at least more self sufficient; however, the current building is cited as a handicap to this. A location more accessible to the traveling public, adequate parking, additional space for retail operations, a restaurant, and better security arrangements would all add to the feasibility of self support. The society currently occupies 95,000 ft², expansion is requested to 150-170,000 ft². The cost of constructing a building would be in the range of \$15-20 million with concomitant annual debt service costs of \$1.1-1.5 million.

Possibilities exist for a joint project with the Forest Service, and the Helena Regional Airport on land owned by these entities off the Cedar Street/I-15 interchange. It is not clear at this time what the space requirements of these cooperators would be nor the extent of the contribution they would be willing to make to the project.

Excluding the Historic Sites program, in FY95 the museum spent \$2.22 million of which approximately 58% or \$1.28 million was state general fund and 29% or \$644 thousand was generated from sales and charges. The historical museum does not charge admission. The historical society magazine and museum store account for 94% of the current earned revenues.

The Museum of the Rockies at Bozeman provides some comparative information. This museum charges for admission, \$6 for adults/\$4 for children and has been able to attract 150-175,000 visitors per year. Admissions revenues generate approximately \$650,000. In addition they operate a store that has in a good year grossed \$450,000. The museum operates with a budget of approximately \$4 million and receives about 10% of this from the state. Applying these same revenues to the historical museum would add \$850,000 per year as the current book store grosses approximately \$250,000.

If the Historical Society Museum is to become self sufficient in a new building as described above additional revenues would have to offset the \$1.28 million current state expenditure and pay the \$1.10-1.50 million debt service charge on the new building. It is unlikely that the added revenues from charging for admissions would both pay the debt service on the building and finance the operations of the Historical Society. The gap can be filled with a capital fund raising effort to solicit private funds for the building, membership charges, private funding for exhibits, revenue from bookstore and restaurant concessionaires, and/or contributions from cooperators (USFS and Helena Regional Airport).

It should be noted that when the bonds are paid off all revenue could be applied to operations.

Preliminary Competition Ideas

November 1, 1995

Secretary of State's Office

1. Records Management Services:

Mergenthaler Records Management, a subsidiary of Mergenthaler Transfer & Storage Company, presented a proposal to OBPP in July, 1995, for provision of state records management transportation and storage services. Another moving and storage company from Billings (Baker Transfer & Storage) has also expressed interest in bidding for these services but perhaps with the idea of locating central records storage in Billings. Based upon average inventory levels and inventory-flow information, Mergenthaler estimated a price of approximately \$204,000 per year. This compares with OBPP estimated FY96 expenses of about \$175,000 for records management and storage (estimated records management microfilm unit expenses are \$230,000). The Secretary of State's Office has projected an even lower FY96 budget for records management: approximately \$140,000.

Department of Transportation

1. Fuel Tax Evasion Audit/Investigation:

State and federal fuel tax evasion is an ongoing, significant problem for the department and the fiscal stability of the highways special revenue account. It may be feasible to issue an RFP for fuel tax auditing and investigations with a portion, or perhaps the entire amount, of the contract fees applicable to a percentage of tax recoveries.

2. Federal Bridge Inspection Program:

It is proposed that the in-house federal bridge inspection program be submitted to the RFP process, with the in-house program enabled to submit a competitive proposal to provide the services.

3. Rest Area and Highway Maintenance:

Highway rest area maintenance is provided primarily by private contractors but the quality of the services is considered to be poor in some areas. It is proposed that these contracts be opened to additional competition from department or other governmental employees.

Other aspects of highway/highway area maintenance may similarly be opened to statewide competitive bidding processes. These include striping, which is currently provided through a mix of state government and private services (epoxy striping is performed by private contractors), crack sealing (mostly in-house now), right-of-way

mowing (mostly in-house except for areas such as the Helena capitol exchange/viaduct), and pavement preservation which is provided via approximately \$12 million per year in private contract payments. An in-house proposal for pavement preservation would require significant capital investment outlay and recovery for paving equipment, hot plant, etc.

4. Peak-Load Winter Highway Maintenance:

The department considers this only a potentially viable option on a regional basis, and has yet to identify a specific area. It is likely that an urban area may be the best candidate, perhaps similar to the arrangement in the City of Denver. Denver contracts for emergency, big-storm winter maintenance services to supplement the routine, non-emergency maintenance provided by city employees.

5. Motor Pool:

The entire operation of the state motor pool has been a candidate for competition, with an RFP mailed to all known state and national vendors in 1993 and a RFI mailed in 1994. No private companies have been able to meet or beat the state price structure for vehicles. However, questions remain among a few legislators who still believe the RFP/RFI were "rigged" --despite assurances to the contrary from Enterprise Corp. general manager Bob Ward and business manager Marshall Price., representing the most interested outside party. The pilot project currently underway to allow the state program to auction vehicles at 10,000-12,000 miles is one example of program changes that may be appropriate to make the motor pool price structure even more competitive against private vendors.

6. Payroll and Personnel Administration:

It may be necessary for increased delegation of payroll and personnel administration authority and autonomy to agencies (decentralization) in order for agencies to bid and operate in a competitive environment. The duplication of position classification analysis at the agency and State Personnel Division is cited as an example.

7. Pre-Design, Survey, and Contract Administration:

The contract with Infrastructure Management Group, Inc. provides for a March 15, 1996, report delivery date. This analysis of the cost, efficiency, and quality of services between in-house and private contractor service delivery will result in specific findings and recommendations that may be useful in both the overall competition evaluation process and EPP.

8. Water Well Drilling:

The Montana Water Well Drillers Association has suggested that the private sector is able to provide competitive prices for water well drilling currently performed by department employees.

Department of Revenue

1. Liquor Warehouse Operations:

Following the successful conversion to competitive privatization of state liquor stores, further consideration may be given to competitive processes for operation of the state wholesale liquor warehouse.

Department of Administration

1. State Data Center (Mainframe Operations):

The department's recommendation to consider mainframe processing competition in the broad scope of the state data center as a whole has been well documented. The concept of a public corporation or other quasi-governmental structure may need to be considered in order to allow the data center to be competitive with the private sector and to expand batch processing volume necessary to spread overhead costs over more transactions. The current contract study with Real Decisions Corporation (comparison of operating costs and efficiency factors with similar private sector and government processing operations) and the ITAC recommendation will assist in the decision as to the direction and structure for the RFP(s).

2. Warrant Microfilming and Research:

Competitive bidding may be an alternative for microfilming, storage, research, and retrieval of canceled state warrants. Financial institutions and the SOS Records Management Bureau are among the potential bidders. Savings to the department may be realized in terms of reduced FTE, reduced equipment maintenance costs, and elimination of warrant microfilming equipment replacement.

3. State Bulletin Board System:

There may be private market potential for delivery of this service. Competition options include the entire system, including the hardware, telecommunications, software, and system operator, or just the system operator function. An additional option may be to combine all state electronic bulletin board systems, including OPI and the Department of Commerce, into a package for RFP purposes.

4. Vehicle Fueling:

Mandatory expansion of the Montana Public Vehicle Fueling Program is recommended in order to more fully realize the benefits: require all state vehicles to fuel at participating fuel sites, and eliminate more state-owned fuel tanks. Costs and market factors to be considered would be the expansion of private vendor retail fueling sites, reduction of the state liabilities for deteriorating underground storage tanks, and the comparative costs of providing in-house fuel for EPA-mandated equipment upgrades, accounting for fuel records and fuel management information, additional state vehicle mileage to travel to state fueling sites, and the price of fuel at GasCard sites relative to the state credit card price.

5. State Credit Card System:

Several state governments have opted to use state credit cards for small volume purchases which in turn leads to more private sector involvement in terms of credit services, processing, administration, accounting, and procurement for small transactions. The State of Wisconsin, in preparing to move to a credit card system, predicted savings of \$14 million in administrative expenses, and \$6 million in price reductions.

6. Elimination of In-State Procurement Preferences:

It can be demonstrated that, in some instances, in-state preferences increase costs to state government, restrict competition, and encourage reciprocal preferences against Montana vendors. Thirty states have reciprocal preferences against Montana vendors. The State of New York will not accept bids from any business located in a state with preferences. Elimination of preferences will allow state government, in general, to be more competitive with the private sector.

7. Use Internet to Solicit Bids and Proposals:

Many states are automating access to procurement solicitations. Oregon has developed its own software and requires all vendors to access its system to receive bids and proposals solicitation information. Other states have placed bid information directly on the Internet web. The resulting reductions in paper and postage, and increased distribution to a wider audience of potential vendors may be advantageous to the state's competitive solicitation process.

8. Employee Benefit Plan Communications:

State cost containment programs such as the preferred provider networks and the pharmacy program, have increased the employee benefit plan administration and communication requirements. Competitive technology proposals, such as for an interactive voice response system, may be available to further the understanding and cost effectiveness of these programs.

9. Performance-Based Pay System:

Performance management and performance-based pay systems may be essential to provide a competitive environment for state agencies and employees. The state may consider issuing an RFP for the design and implementation of a performance management and competency-based pay system. Services could include adapting the system to the current pay plan and budgeting system, and developing individual job competencies.

Other ideas not submitted by the agency:

10. Central Mail:

This program is relatively underutilized by state agencies and has a high level of capital equipment investment (bar coding, sorting, etc.). As with the state data center, a public corporation or quasi-governmental status may expand its workload with private contracts and increase its competitiveness.

11. Central Stores:

Agencies can now use private vendors for office supplies but not paper supplies; however, central stores would likely be competitive in paper supplies based upon current prices. There is obviously a competitive private sector for the services provided.

12. State Personnel Division:

As recommended by other state agencies, decentralization of the work of this division may be considered. Alternatively, competitive bidding for specified state personnel management functions may be feasible.

13. Surplus Property:

The property disposal function may be a viable candidate for competitive bidding.

State Compensation Insurance Fund

1. Convert the State Fund to a Non-Profit Domestic Mutual Insurer:

There may be advantages to operating the State Fund as a non-profit mutual insurer in lieu of "selling" the fund as done in other states. Among these are removing the state's direct involvement in the insurance business, additional competitive market stability for employers and private insurers, and maintaining an insurer of last resort. One risk of selling the fund would be the demand for a state-managed assigned risk pool for small, high loss employers, which in turn could lead the creation of a new state fund to absorb the risk pool. An assigned risk pool can have a negative effect on competition in terms of the availability of insurers willing to accept the assigned risk burden.

APR 27 1995

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Racicot undertakes

By DAVID FENNER
Gazette State Bureau

HELENA — Gov. Marc Racicot is expected to announce to department heads today that he is launching a major study to determine which government services can be turned over to private hands.

A union leader representing public employees assailed the idea, contending that the state has studied privatization ad nauseam and saying state government needs time to adjust to sweeping organizational changes passed by the recent Legislature.

"It seems to me with the major reorganization passed in this Legislature maybe we ought to sit down and put government back together before we decide to go into a new arena of changing things," said Tom Schneider, executive director of the Montana Public Employees Association.

The initiative is outlined in a draft of a Racicot memorandum dated for distribution to agency directors on Thursday.

Racicot is directing his budget director, Dave Lewis, and staff of the Office of

Budget and Program Planning to begin "hard-nosed examination" of government functions to determine which services must continue to be provided by government and which services can be privatized.

"Government attempting to do everything for everybody is a concept whose future has passed," the Republican governor says in the memo.

The review will produce recommendations for the next legislative session.



RACICOT
governor

Privatization can take different forms, but most commonly is viewed as the process of opening government services to competitive bidding by private firms as a means of cutting costs and improving productivity in a time of fiscal austerity. Other forms include franchising, lease-back agreements or providing vouchers to poor and handicapped people to purchase social services on the open market rather than rely exclusively on government services

scheduled to finish that process by Nov. 8.

The report discusses the po

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Report outlines state services that could be privatized

By BOB ANEZ
Associated Press Writer

HELENA — State investments, highway maintenance, prisons, computer operations and tracking down deadbeat parents are among the government services that may be better off in the hands of private business, a new report says.

The document is the Racicot administration's first extensive look at possible privatization of state programs in the hopes of saving money and improving efficiency. The report lists about 80 services that deserve further study.

Gov. Marc Racicot began reviewing the report Thursday with his staff and is scheduled to finish that process by Nov. 8.

The report does not indicate how much money might be saved from any of the proposals. However, Budget Director Dave Lewis said the assumption is that if government services are opened to competition and awarded to the lowest bidder, some savings will occur.

One of the suggestions is for using private brokers to help the state invest some of its \$5.5 billion portfolio, rather than leave that job solely to the Board of Investments and its staff.

Lewis said the state's return on its \$1.5 billion in stocks has lagged behind the market in recent years and few states handle all of their investments internally.

The report discusses the possibility of

letting private companies do more highway work, including bridge inspections, rest-area maintenance, striping, crack sealing and right-of-way mowing. Private firms also could be used to supplement state crews when big snowstorms hit, the report said.

The motor pool is another candidate for private operation, but the state found no firms could match the government's cost for buying vehicles when it sought offers in 1993 and 1994, according to the report.

Relying on private businesses to build and operate new prisons needed in the future is an option used by more and more states, but may not save much money over state-run facilities, the report said.

In considering private prisons, the state

should keep in mind that such institutions are more shielded from public scrutiny and someone still must be liable if inmates' rights are violated.

The report said the state could save money by hiring a private firm to handle data processing on its mainframe computer, expanding use of state credit cards for small purchases and eliminating the preference given Montana companies in bidding on government contracts.

Private companies could be used to track down parents who fail to make court-ordered child support payments and to periodically review child-support orders involving welfare recipients, the report said.

The Montana Chemical Dependency

Center in Butte, Center for the Aged in Lewistown and the Montana Veterans' Home in Columbia Falls also could be considered for private operation.

The veterans' home suggestion was the only one turned down by Racicot on Thursday.

The report said the state could use an automated system for selling hunting and fishing licenses, let private business handle maintenance at state parks and fishing access sites, and study privately run fish hatcheries.

The Montana university system identified several services that could be privatized. The list includes purchasing, payroll, publications, financial audits and legal defense in lawsuits.

Racicot undertakes privatization initiative

By DAVID FENNER
Gazette State Bureau

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RACICOT
governor

Governments have privatized printing, mail rooms, institutional food services, highway design, foreign language instruction, car pools, vehicle maintenance, health care administration, state parks and bridge repair and maintenance, Racicot says.

This is the governor's first major initiative of the legislative interim.

The 1995 Legislature, which adjourned two weeks ago, approved a number of recommendations from task forces the governor created last interim, including the extensive reorganization of agencies and a sweeping overhaul of the welfare system.

"One thing we can be sure of in the remaining time of our stewardship, and beyond, is that change in society — and, therefore, change in government — must come at an accelerating pace," Racicot says. "Standing still means falling behind."

He notes that the recent Legislature approved proposals to reduce government control over milk prices and retail liquor sales in Montana, but only after years of study and discussion. The state doesn't

have the luxury of 25 years of preparation for the next changes, the governor says.

"We must be ready with new, bold and polished proposals for the next legislative session," he says.

Not every effort undertaken in other states is appropriate for Montana, he says.

"But I believe privatization of services and operations adapted to Montana by Montanans offers a golden opportunity to improve efficiency and customer service," the governor says.

Racicot says he's encouraging Montana citizens to participate by sending in their suggestions for privatizing government services.

Ultimately, he says, some of the services may be provided by existing private companies and some by new private companies. Elsewhere, groups of government employees have been allowed to bid competitively on services they now provide as public employees, he says.

"We should feel no constraints in this examination, except providing maximum service for minimum cost," he says.

Schneider said he has heard nothing about the plan. But he thinks it's a bad idea for several reasons.

Privatization of various state functions has been studied and attempted by groups and legislators for years, he said. The most recent examination of the issue came from the Governor's Task Force to Renew Montana Government in the year before the 1995 legislative session, he said. "I just don't know why we continue to waste a lot of time going back over the same ground," he said.

He pointed out that the Legislature, on the recommendation of the Task Force to Renew Montana Government, approved a reorganization that has duties previously handled by six agencies now under four. The transition probably will take two years to complete and, with an undertaking so massive, glitches assuredly will occur that will need fixing by the next Legislature, he said, saying now is not the time to "bite off more."

"It seems to me we've reached a point where we going to change things just so we can say we changed things," he said.

The impending reorganization is unsettling for state employees in the involved agencies, Schneider said, adding that two years more of privatization planning will add to their anxiety.

Political 'buzzards' feed on bombing

Knight-Ridder News Service

WASHINGTON — When Americans outside Washington talk about the Oklahoma City bombing, they speak of sorrow, horror and fear.

But inside the Beltway, the political jockeying has begun.

President Clinton used the bombing to make on talk radio hosts. Republicans used it to batter him. Feminist groups used it to link abortion opponents to militia members. Gun control supporters used it to push for keeping the assault weapons ban.

Justified or not, the tragedy has become ammunition in ongoing battles over politics and policy.

"It's offensive that any of these great tragedies should have buzzards — and that's what they are — flying around the carcass, picking out what might be useful to them," said Stephen Hess, a Brookings Institution commentator on the ways of Washington.

The political fighting began on Monday when Clinton assailed "the purveyors of hatred and division, the promoters of paranoia." While White House aides said he wasn't referring to talk show hosts, the implication was clear.

"It was particularly sad about Clinton because I thought he has done well handling the tragedy up to that point," Hess said. "He al-

ways seems to slip on a banana peel."

Conservative broadcaster Rush Limbaugh was quick to respond. He said liberals who describe people involved in legitimate political dialogue as "extremists" are "in fact promoters of paranoia and purveyors of hate and divisiveness."

Then, Limbaugh added: "Anyone who uses Oklahoma City for political purposes, for cheap political gain, anybody who wants to use the dead of Oklahoma City for their own political agenda should incur the wrath of the American people and be voted out of office."

Limbaugh's booming voice was echoed by Sen. James Inhofe, R-Okla., who took to the Senate floor and warned that "people should not try to exploit this tragedy" to attempt to reverse the 1994 elections when the Republicans took control of Congress.

Sen. Rod Grams, R-Minn., also accused Clinton of playing politics: "We must remember the pain of Oklahoma City, but this is not a time to score political points or to somehow use the victims of this tragedy as the pawns of some crazy chess match."

Clinton supporters defended the president's comments and said his appeals for toning down incendiary rhetoric were justified in the wake of the bombing. The bombing has provided interest groups a chance to press their causes — sometimes on their own, sometimes in response to media inquiries.

Handgun Control Inc., for example, held two days of briefings to provide reporters with its research tracking the rise of militias after the Brady bill and assault weapons ban were passed.

The Federal Law Enforcement Officers Association blasted the National Rifle Association for indirectly contributing to the tragedy by its "rhetoric and organized anti-federal law enforcement campaigns."

That organization called on Congress to "abandon its insane attempt to repeal a law that bans the very guns these groups claim they need to take up arms against the government."

Dennis Henigan, general counsel of Handgun Control Inc., defended linking gun control with the militia movement, which believes guns are the best protection against a tyrannical federal government.

"It is totally unfair to criticize us for continuing to talk about the dangers of the militias when in fact there may be reason to believe the perpetrators of this horrendous crime did have some connection to the militias," Henigan said. "The militias are themselves clearly motivated in part by the gun control issue."

Meanwhile, gun control opponent John Snyder, spokesman for the Citizens Committee to Keep and Bear Arms, used the Oklahoma tragedy to attack Clinton, saying the lack of public trust in his administration was one reason for the bombing.

Clinton seeks to anti-terrorism force

WASHINGTON (AP) — Trying to prevent a repeat of the Oklahoma City bombing, President Clinton on Wednesday proposed adding 1,000 federal workers to the fight against terrorism and endorsed stiffer penalties for attacks on government employees.

"We cannot allow our entire country to be subjected to the horror the people of Oklahoma City have endured," Clinton said at the start of a meeting with congressional leaders from both parties.

The president, who on Sunday offered an initial series of recommendations to fight terrorism, proposed additional initiatives just hours after attending the funeral of a Secret Service agent killed in the bombing.

Clinton said the measures were "grounded in common

sense and steeled with force."

Flanked by Sen. Bob Dole and Rep. Newt Gingrich, the leaders of the GOP-controlled Congress, the president said he hoped that his proposals would find bipartisan support.

"I want us to work together to get the job done," he said.

Likewise, Dole, R-Kan., held out hope for bipartisanship, saying, "We've got a lot of ideas, the president's laid his out, we hope to incorporate all or most of those and add ours." He said he hoped for congressional action by Memorial Day.

Sen. Don Nickles, R-Okla., said many of Clinton's suggestions were positive. He said the proposal to add 1,000 federal workers — costing \$1.2 billion over 5 years — was "expensive and so we'll have to look at those issues."

